

EXECUTIVE SUMMARY

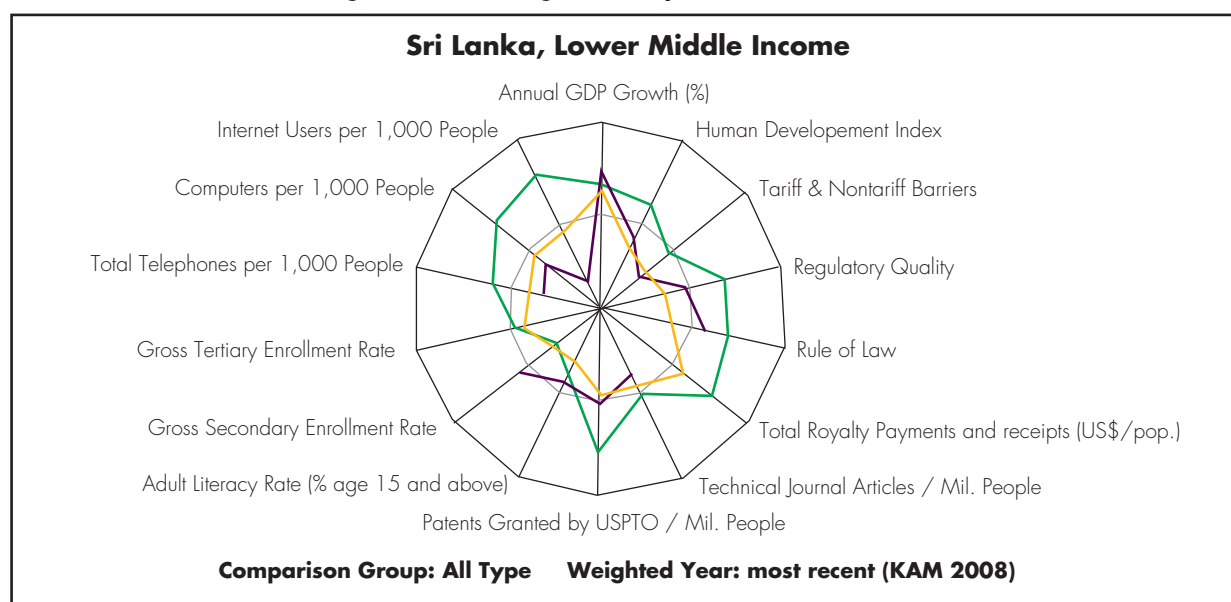
Sri Lanka is poised on the crest of two great waves of opportunity. The first wave can transform the nation from a low-income country to a middle-income country. The second wave can transform the nation from a country in conflict to a country at peace.

The higher education sector can and must lead Sri Lanka successfully over the crests of these two waves of golden opportunity. Higher education institutions should drive and accelerate the country's ascent to middle-income (MIC) status. Also, the higher education system should inspire the country's values, ethics and social institutions so that Sri Lanka becomes celebrated as an enlightened and peaceful multi-ethnic, multi-religious and multi-cultural society.

Sri Lanka Should Enhance Relevance and Quality of Higher Education Institutions and Produce World-Class Graduates

Sri Lanka's future in the global knowledge economy of the twenty-first century depends critically on the country's intellectual and human capital. Currently, Sri Lanka ranks 82 out of 140 countries on the Knowledge Economy Index (KEI), and is below the average KEI for middle-income countries (Figure 1). It ranks 77 out of 134 countries on the Global Competitiveness Index. To ascend to the level of a prosperous MIC, the country needs research and innovation capacity capable of promoting dynamic economic development. The ability of people to think and act creatively, work industriously and productively, and innovate and adapt available technologies to strengthen economic activities is

Figure 1: Knowledge Economy - Sri Lanka and MICs



Source: World Bank Knowledge Economy Statistics.

cardinally important to achieve this objective. In this context, Sri Lanka needs a higher education system that can produce skilled, hard-working and enterprising graduates.

The economic relevance and quality of the higher education sector at present is substantially below the level required of a middle-income country. There are three broad levels of quality among higher education institutions (HEIs). At the low end of the quality scale there are poor quality education institutions, programs and courses. The large majority of graduates from these HEIs find it nearly impossible to obtain jobs in the private sector, and are eventually employed through make-work public sector schemes. The external degree programs (EDPs) of universities are the clearest and sharpest example of low quality, and the source of the bulk of unemployed and under-employed graduates in the country. In addition, there are many other HEIs, especially in the lagging regions such as the Northern and Eastern Provinces and among the newly established universities and ATIs, which fall into this class of low-performing institutions.

At the middle of the quality scale, there are higher education institutions, program and courses that are of moderate quality. Some graduates from these institutions find employment in the private sector. But a sizable proportion of the graduates of these HEIs, too, do not get jobs in the private sector and are eventually absorbed in make-work Government employment. Postgraduate education opportunities for the graduates of both the low and middle-performing HEIs are scarce.

At the top end of the quality scale there are a few higher education institutions, programs and courses that are of relatively good quality for a lower-middle income country. Graduates of these HEIs enjoy strong demand from the private sector labor market, both within Sri Lanka and overseas, including in OECD countries. In addition, the best graduates from these institutions find it easy to obtain positions for postgraduate studies in the best universities in countries such as the U.S.A., the U.K., Australia, Japan and a host of other OECD countries. This small, well-performing segment shows the long-term promise and potential of the HE sector. The challenge is to transform the large number of low performers and middle level performers to become high-performers.

Challenges

There are deep and persistent challenges to the economic relevance of the higher education sector. The long-standing problem of unemployment among university graduates needs to be addressed urgently. This problem appears to be caused by several factors, including: (a) the relatively poor skills of graduates, especially from external degree and distance mode degree programs, and from some arts, commerce and science courses; (b) a perception among many private sector employers that graduates lack the type of attitudes and skills needed to work efficiently in the private sector; and (c) periods of slow economic growth in the past, when job creation was stifled, and the Government provided employment in make-work schemes of recruitment to the public sector. The knowledge and skills of graduates, particularly in the external degree and distance mode degree programs, and the arts, commerce and science courses, as well as their work attitudes and aspiration need to be oriented more strongly to needs of the economy.

General skills are critically important for the labor market of a middle income country, but also especially scarce in Sri Lanka. Highest among these scarce general skills are English Language and Information and Communications Technology (ICT) skills. A graduate who lacks fluency in an international language and ICT skills is cut-off from much of the world of twenty-first century knowledge

and information. And his or her productivity and performance at work would fall well below the level required by reputed private sector firms from their managerial staff and technical specialists. The English language skills of a large proportion of graduates are well below the threshold expected by private sector firms. And access to ICT facilities and e-learning resources and e-teaching material in higher education institutions is totally inadequate for a middle-income economy.

Strong science, technology and innovation linkages between higher education institutions and industry are a vital need for middle-income countries: but university-industry linkages are only at an infant stage in Sri Lanka. The economic path to a prosperous middle-income Sri Lanka will be based on knowledge-intensive activities such as information technology and software development, engineering, industrial processing, banking, finance and insurance. At present the country's capacity and position in these areas are well below the average for comparable developing and exemplar middle-income countries (see Table I). Close partnerships between universities and industries in these knowledge-intensive and technology-intensive activities are urgently needed to increase the performance and competitiveness of firms in the country and accelerate economic growth.

Table 1: Innovation Capacity and Competitiveness: Sri Lanka in Global Perspective

	UNCTAD Innovation Capability Index	UNIDO Competitiveness Industrial Performance Index	WEF Global Competitiveness Index
Bangladesh	106	56	107
Cambodia	-	-	110
India	83	40	48
Indonesia	87	38	54
South Korea	19	10	11
Malaysia	60	15	21
Mongolia	69	-	101
Pakistan	100	49	92
Philippines	64	25	71
Sri Lanka	79	62	79
Singapore	26	1	7
Thailand	54	23	28
Vietnam	82	-	68

Source: "Universities and National Innovation Systems", Alfred Watkins, the World Bank, presentation at the Strategic Choices for Higher Education Reform, Malaysia December 2007.

Note:

Strategic Development Options

A deeper involvement of universities offering external degree programs in their functioning is vitally important to strengthen these programs. There are several strategies to raise the quality of EDPs. A licensing scheme needs to be introduced for private institutions which prepare students for the EDP qualification and certification process. This would ensure that such institutions have a required minimum level of quality, and also provide consumer protection to students enrolled in EDPs. Greater reliance can also be placed on the Open University to deliver the services currently provided through EDPs, as one option to improve the quality of EDP programs. In addition, a more systematic use of university e-material

will be a rational approach to improve the quality of these EDPs. In this context, the School of Computing of the University of Colombo provides a good example for other universities.

Developing the English language and ICT skills of students would dramatically improve their employment prospects and productivity at work. This initiative is especially needed for the arts, humanities, commerce and social science students, as a key weakness of these graduates, according to employers is their low stock of English language and ICT skills. The universities and faculties that offer arts, humanities, commerce and social science degrees should target additional resources, including ICT equipment and staff-student contact time, and develop quality processes, such as student support for the acquisition of language skills, to improve the English language and ICT skills of their students. This is a strategic initiative that would generate clear, multiple benefits. It would be popular among students, have a high impact on their future performance in the world of work, and contribute positively to the quality of the country's future labor force. The existence of a population fluent in English and ICT would also help attract foreign firms to locate operations in the country.

Developing soft-skills as a part of degree programs would considerably enhance the employability of graduates. The degree programs of universities have focused mainly on the subject content and technical skills of students. Employers, however, require attitudes and skills such as initiative, trainability, flexibility, team-orientation, communication, positive work attitudes and discipline. Developing such attitudes and skills among students, would strongly enhance the employability of graduates.

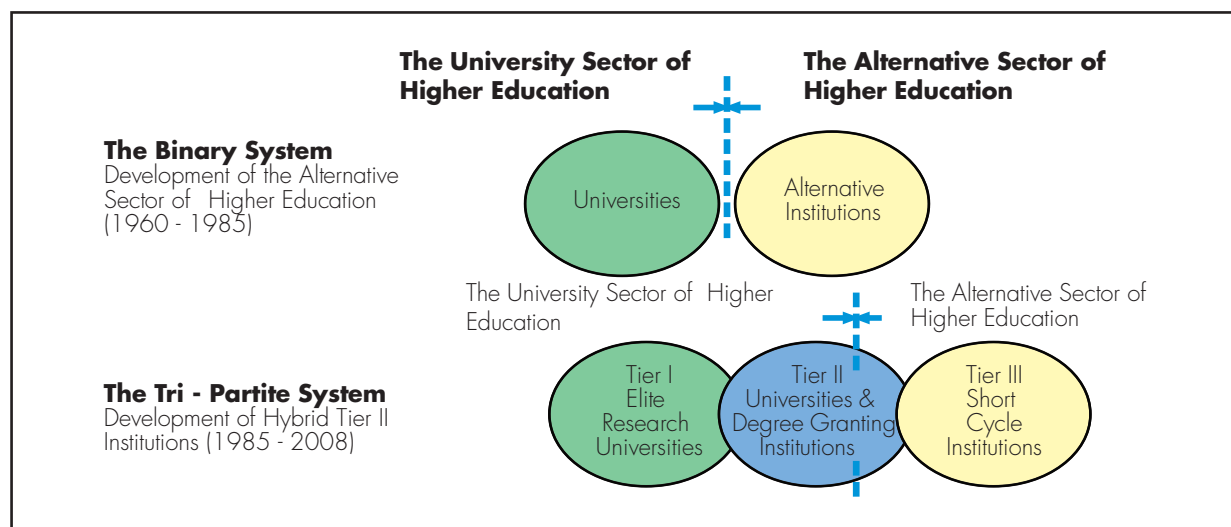
Expanding internship programs to provide work experience to students would strengthen the relevance of higher education programs. Such internship programs have dual sets of benefits. On the side of industry, they enable employers to inculcate, train and assess students for their industrial needs during in-plant training. This builds specific human capital and reduces search and sorting costs. On the side of students it provides an opportunity to learn the skills and culture of private sector work places, and enables the development of attitudinal and technical skills for private sector employment.

Increasing private-sector partnerships in career guidance programs could make these programs more relevant. University career guidance programs would be enriched by increased participation of representatives from the private sector. These representatives would be able to communicate in advance the type of opportunities likely to arise in the private sector, as well as the skills that students need to benefit from such opportunities. Students would then be able to make choices, such as the types of courses to offer, with such opportunities and skills in mind.

Promoting industry-university linkages in science, technology, and research and development is of cardinal importance for Sri Lanka to be a high-performing middle income country. Sri Lanka's economic advancement as a MIC will depend critically on the acquisition, operation and use of technologies at increasing levels of complexity, quality and productivity, as well as the generation of a continuous stream of improvements and innovations. The research skills and capacity of universities can uniquely support firms in technology acquisition, utilization and adaptation, as well as in innovation and knowledge creation. The promotion of such industry-university linkages in science, technology, and research and development would be greatly assisted through the development of professionally managed university business centers, technology commercialization offices and technology broker programs.

The Governance Framework for Higher Education Needs to be of International Standard

Figure 2: A Typology of Higher Education



Source: Grubb, W.N. (2003), *The Roles of Tertiary Colleges and Institutes: Trade-offs in Restructuring Postsecondary Education*, Paris.

Governance is one of the most complex areas in the world-wide landscape of higher education systems. This is due to the rich variety and diversity of higher education institutions, with their horizontal and vertical linkages and relationships (Figure 2). Sri Lanka's higher education sector has many of the institutions of this typology, but the overall sector needs greater coherence and internal consistency. The main debate on higher education governance is the degree of autonomy that individual institutions should enjoy, and the systems of accountability and responsibility that should accompany this autonomy. The general global trend favors greater autonomy, which is seen as conducive to better performance.

The institutional structure of the higher education sector in Sri Lanka is poised between a centralized, top-down model and a decentralized model where higher education institutions are both largely autonomous and empowered. The degree of autonomy and accountability varies considerably within the higher education sector. The SLIATE system is a highly centralized top-down model. The public universities enjoy greater autonomy than the SLIATE institutions, especially in relation to the recruitment of academic staff, curriculum development, and teaching and research activities. However, many other aspects of public universities that are autonomous in developed and middle-income countries are centralized in Sri Lanka. The private higher education sector operates mainly under institutional mandates for the non-profit institutions and under market forces for the for-profit institutions, and is almost fully autonomous from the State.

Challenges

Pathways and mobility between across different types and levels of higher education are very limited. The Sri Lankan higher education sector has a wide and diverse range of institutions, on the lines of the typology presented in Figure 1, and can be seen as transitioning from a binary system to a tri-partite system. However, clear learning pathways providing access to - and mobility and progression within - education, training and career paths, are extremely scarce. Given that modern thinking has shifted from

education for employment – developing the ability to do a specific job - to education for employability – developing the ability to adapt acquired skills to new working environments, the lack of such pathways hinders the development of an adaptable and technically skilled workforce.

Consultations with academics and university staff suggest that excessive central control can, in many cases, constrain performance. The Ministry of Higher Education (MHE) and the University Grants Commission (UGC) are faced with an unnecessary administrative workload due to the number of operational decisions that need to be taken, and this in turn limits their time and attention for high-level policy matters. Entrepreneurialism and initiative are reduced in universities because of central controls and the need to obtain approvals. Delays can also accumulate while the central institutions make decisions. And, as a result of the long administrative chains caused by the centralized elements of the system, personal authority and informal relationships can play a role, hindering procedural efficiency.

The governance of universities is based on the classical Commonwealth model, but misses some of the modern developments that currently characterized this model. For instance, unlike in the more advanced higher education systems in the Commonwealth, such as the U.K., Australia, and Canada, there is no normative funding system for public universities; instead recurrent funding among individual universities in Sri Lanka is largely based on historical levels, and capital funding is based mainly on negotiations between individual institutions, the MHE/UGC and the Ministry of Finance and Planning (MFP). The institutional structure of higher education institutions is characterized by a greater degree of intervention by central authorities than is common in more advanced higher education systems. In consequence, the current management and administrative capacity of universities are comparatively under-developed. This is especially the case with the newer, more recently established universities and the universities in the lagging regions, especially the Northern and Eastern Provinces.

Quality assurance mechanisms have narrow coverage, and should be considerably broadened. The country lacks quality assurance mechanisms for the alternative higher education sector, the private higher education sector, and the external degree programs. Within the public universities, quality assurance mechanisms are only just commencing for postgraduate education programs, and will require substantial future development. At the undergraduate level quality assurance processes have been introduced during the recent past, but these now need to be developed and strengthened to become an integral part of the university system.

Strategic Development Options

There are a variety of initiatives and reforms to modernize the governance of the higher education sector.

The development of a National Qualification Framework is a high priority to strengthen the governance framework of the higher education sector. This framework should cover the universities, the alternative higher education institutions, and the distance mode and external degree programs (see Box 1 for some international examples of national qualification frameworks). It would establish pathways for access and mobility within the various different types of institutions. It would also link the higher education sector to the career paths of individuals, so that individuals could move flexibly between the higher education sector and their work lives, depending on their needs for skill acquisition and vertical and horizontal job mobility.

Box 1: International Examples of National Qualification Frameworks

The Australian Qualification Framework (AQF)

The AQF has the following objectives.

Bringing together the qualifications issued by the higher education and vocational education and training systems into a single comprehensive system of titles and standards.

Supporting flexible education and training pathways between sectors and lifelong learning.

Encouraging parity of esteem between academic and training qualifications.

Supporting the diversity of purposes of providers in the education and training sectors.

Encouraging cross-sector partnerships.

Underpinning national policies on quality assurance, articulation and credit transfer.

The Irish National Framework of Qualifications (INFQ)

The INFQ is a structure of ten levels ranging from basic certificates to doctoral awards.

Levels are defined by “level indicators” which are broad descriptions of learning outcomes.

“Award types” are defined based on the level indicators, as classes of named awards sharing common features and levels.

The INFQ is not credit-based. However, a credit arrangement is being developed to take into consideration the European Credit Transfer System (ECTS) and the European Credit for Vocational Education and Training (ECVET).

The tightly centralized SLIATE structure needs to be lightened, with greater empowerment of the Advanced Technological Institutes (ATIs). In particular, the ATIs should have more autonomy and responsibility for academic activities such as curriculum development, and assessment and examinations. The head office of SLIATE should evolve into a higher-level body for planning, monitoring, analysis and policy development. Such changes in the head office of SLIATE and the ATIs must be preceded and accompanied by staff development, organizational strengthening and capacity building to enable these agencies to play their new roles effectively.

The quality improvement of the SLIATE institutions is a high priority. The alternative higher education sector has received less policy attention than the university sector, and is comparatively under-developed. Considerable institutional development is needed in the future to strengthen SLIATE. At the central level, an academic staff leadership institute should be set up for SLIATE with a mandate to support teaching staff with learning innovations and work-based teaching and assessment methodologies. The private sector should also be involved in the design of curricula, and examinations and assessment methods. In this context, Program Advisory Committees, with representation from the private sector and employers federations, would be extremely useful to support SLIATE institutions to better serve labor market needs.

Greater devolution of powers to universities can be considered in several areas. These include the promotion of academic staff; the determination of academic salary levels, especially in shortage subjects; the recruitment of non-academic staff; the development of new academic courses; the creation of new academic positions within a standard budget; and decisions regarding the governance structure of the institutions. For devolution to be effective, first it would be necessary to establish clear accountability mechanisms. Second, the managerial capacity of the university leadership and

administration needs to be built up if universities are to be endowed with greater responsibility and accountability.

The establishment of a quality assurance system for the full higher education sector is of great importance. The country needs quality assurance mechanisms covering the programs and courses in the alternative higher education sector, postgraduate education, undergraduate education, distance learning, and the private higher education sector. International practice shows that there are a number of models for quality assurance and accreditation. The report discusses models seen in several countries, from which Sri Lanka can draw (Box 2). Whichever model is chosen, it is important that common standards and criteria, and similar processes, are applied by the quality assurance agencies (or agency) for both the public and private higher education institutions.

Box 2: International Models of Quality Assurance

- U.S.A.: An autonomous organization (Council for Higher Education Accreditation) maintained by its 3,600 member HEIs
- South Africa: A sub-committee of an independent statutory Advisory Council to the Minister of Education with a role of providing advice to the Minister on quality in higher education (HEQC)
- Malaysia: A QA division of the Ministry of Higher Education
- New Zealand: An independent body established by the Committee of Vice-Chancellors
- UK, Australia, Thailand: An autonomous organization with its own independent Act of Parliament or charter

The Structure of Higher Education Access and Coverage Needs to be Transformed

The perception of Sri Lanka as a country with low higher education enrollment is incorrect. Some popular accounts have Sri Lanka with a gross higher education enrollment ratio (GER) which does not exceed 5 percent. But this number is likely to be a gross underestimate, as it does not account students enrolled in EDPs and the private higher education sector. Were these students to be accounted for, the GER would reach about 21 percent, placing Sri Lanka on par with countries such as Brazil, El Salvador and Jamaica, all of which are considerably wealthier countries. However, this figure also needs to be adjusted to account for the fact that all students enrolled in EDPs are not actively pursuing higher education: when this is done, the GER is around 10-12 percent, which similar to the Indian or Moroccan rates, and is still respectable.

Challenges

The structure and composition of Sri Lanka's higher education enrollment has multiple defects. First, the largest share of Enrollment, nearly 60 percent, is in the external degree programs, where students are enrolled in universities and sit examinations, but do not follow lectures or classes, and receive no academic support from the university. This has been a low-cost option for the Government to expand higher education access and coverage: but it is at the expense of quality. The greatest proportion of unemployed graduates is drawn from these EDPs.

Second, the balance between enrollment in the public sector and in the private sector is heavily skewed against the private sector, which has only 12 percent of enrollment. This is due to Sri Lanka's strong state-centered higher education system. However, it forces Sri Lanka's enrollment in internal higher

education programs to be lowered to only about 40 percent of all enrollment, with the balance 60 percent in EDPs. This, as discussed above, lowers the overall quality of the sector. And it prevents Sri Lanka from exploiting the potential of the private sector to contribute to the expansion of higher education access and coverage.

Third, Enrollment in employment-oriented alternative higher education institutions in the public sector is small. This is an important and growing sub-sector of the global higher education landscape. Yet, the potential of this very important sub-sector is under-utilized in Sri Lanka. Enrollments in SLIATE remain marginal, only 3 percent of total higher education enrollment.

Fourth, the composition of students in the conventional degree programs of the universities is still dominated by disciplines such as the liberal arts, management, commerce and law, with under-representation of scientific and technical fields. A middle-income country, if it is to grow fast, needs a higher proportion of skilled and competent science and technical graduates.

Strategic Development Options

As the country develops, the demand for higher education will rise, and Sri Lanka will need to find ways of expanding the supply of places in the higher education system. This will provide an excellent opportunity to strengthen the structure and composition of the higher education sector. There are several policy initiatives available to the Government to achieve this objective.

Enrollment in job-oriented alternative higher education programs, such as the courses offered by SLIATE, should be expanded over time. The alternative higher education sector courses are directly job-oriented, and fit a key market niche. Also, these institutions are usually more flexible and can respond to changing labor market needs faster than conventional universities. They also have a lower unit cost than universities, so that enrollment expansion will be less costly for the Government.

The share of enrollment in internal degree of programs of higher education institutions must increase, and enrollment in the poor quality external degree programs needs to decrease over time. Enrollment in external degree programs need to be carefully controlled, with stringent entry and progress criteria, which are tied to the ability of the universities to provide a good quality education for the EDPs. And as internal degree programs expand these should partially substitute for the positions in EDPs. In addition, the expansion of enrollment in the SLIATE ATIs will also enable substitution of EDPs in favor of the ATIs.

The private higher education sector needs to be encouraged to grow and expand. Countries around the world, including former communist countries in Asia and Eastern Europe, as well as many South Asia countries such as India, Pakistan and Bangladesh, encourage and foster the growth of the private sector to increase access and coverage of higher education (Box 3). Private HEIs mainly offer employment-oriented programs and courses, and graduates obtain jobs with relative ease. The expansion of the private higher education sector also does not cost the Government much, as these are self-financing institutions.

Box 3: Private Higher Education in Russia and China

Russia: The first private HEIs appeared as a result of the 1992 Russian Federation Law on Education. While it shares many features of private sectors of higher education worldwide, Russian private HE has its unique traits: considerable public involvement in the creation of the HEIs and continued association of private institutions with various state-supported organizations and public resources. As of 2005, there were 413 private institutions compared to 655 public institutions. Private higher education accounts for approximately 15 percent of all higher education enrollments. The primary characteristics of private universities are: market based academic program offerings and other fields that do not require much investment in equipment and research infrastructure, flexibility in curriculum, lower admission requirements, limited research focus and dependence on tuition for financing.

China: The People's Republic of China did not allow private higher education until the 1980's. The first private HEI appeared in 1978, but the major surge began in the 1980's. By 2000 more than 1200 private institutions existed. In 2003, the Law for the Promotion of Private Education authorized the establishment of private universities. The total number of accredited private institutions, defined as being recognized by the Ministry of Education to grant associate or/and bachelor degrees, has jumped from 43 in 2000 to 278 in 2006. Today private HEIs account for 10 percent of China's higher education enrollments. The primary reason for the State to allow private education was because the state could not fund adequate expansion in the public sector. In 1997 the Government issued the first regulations concerning private education, which reaffirmed private education's nonprofit nature. Now the Government actively promotes private higher education and grants concessions and incentives to private HEIs.

Within the university sector, the share of enrollment in employment-oriented science and technology programs must rise. The space for higher enrollment and growth within the university sector is mainly in the newly established regional universities. The expansion of enrollment in these institutions should be in directly job-oriented programs, linked to the evolving economic needs of Sri Lanka as a middle-income country. These are mainly likely to be in the scientific and technology oriented disciplines, as has been the case in countries such as Malaysia, South Korea, Thailand, Brazil, Chile and Argentina.

A key prerequisite for the formulation of policy options to expand higher education access and coverage is to establish a sound higher education management information system (HEMIS). Without a solid HEMIS planning and monitoring the system is not possible. The Ministry of Higher Education (MHE) and the University Grants Commission (UGC) are establishing a HEMIS which covers the universities. Over time, the MHE should expand the HEMIS to include SLIATE and the private higher education sector.

A New Paradigm is Needed for Planning and Financing Higher Education

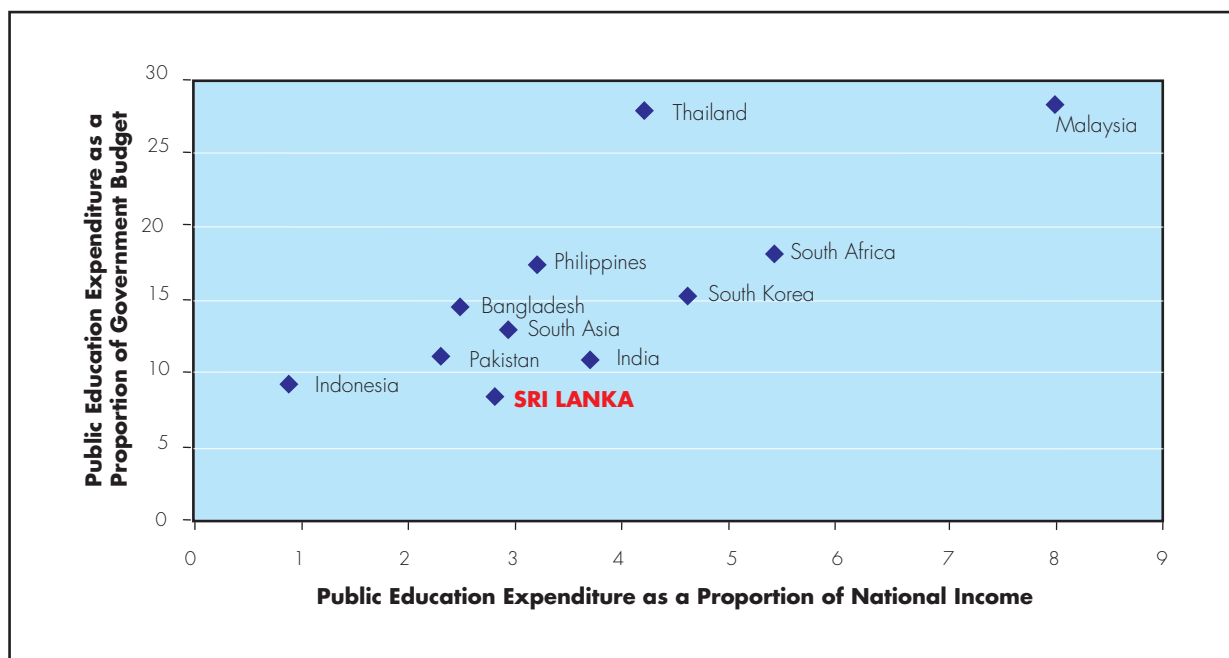
The development of the higher education sector, across all its dimensions of access and coverage, quality, governance and relevance, will require substantial resources. The resource envelope available will determine which options for development are feasible. In consequence, it is important to mobilize resources for the development strategy, as well as to ensure that the resources available are efficiently utilized.

Challenges

Sri Lanka under-invests in higher education in comparison to middle-income countries and other developing countries. The country spends a substantially smaller portion of its national wealth, and an even smaller proportion of its total public budget, on education than its comparators (Figure 3). South

Asian countries as a whole under-invest in education relative to other developing countries. And Sri Lanka invests less in education than the South Asia average. Public investment on university teaching and research, and the alternative higher education institutions, is low both in terms of the share of GDP (under 0.5 percent) and the share of the public budget allocated for higher education (less than 18 percent). The country also faces a difficult fiscal environment in the current global economic context, and will not have much room to expand public funding for the higher education sector over the short-term.

Figure 3: Public Education Expenditure as a Proportion of National Income and Government Budget



Investments in higher education should be preserved during the global economic and financial crisis so that the necessary skilled human resources will be available when the economy rebounds. Sri Lanka is already being affected by the recent global crisis, as most countries in the world and in the region. In fact, under a pessimistic assumption of a growth rate of about 4 percent for the next 8 years, in order for the higher education system to achieve the same objectives, its share of the GDP should increase up to one percent of GDP over the period. This is not impossible, and would put Sri Lanka at par with those countries it is competing with. But it would definitively mean that the share of other, less productive sectors would need to be reduced accordingly. These simulations also strongly suggest that additional creative ways to complement state funding are necessary and unavoidable.

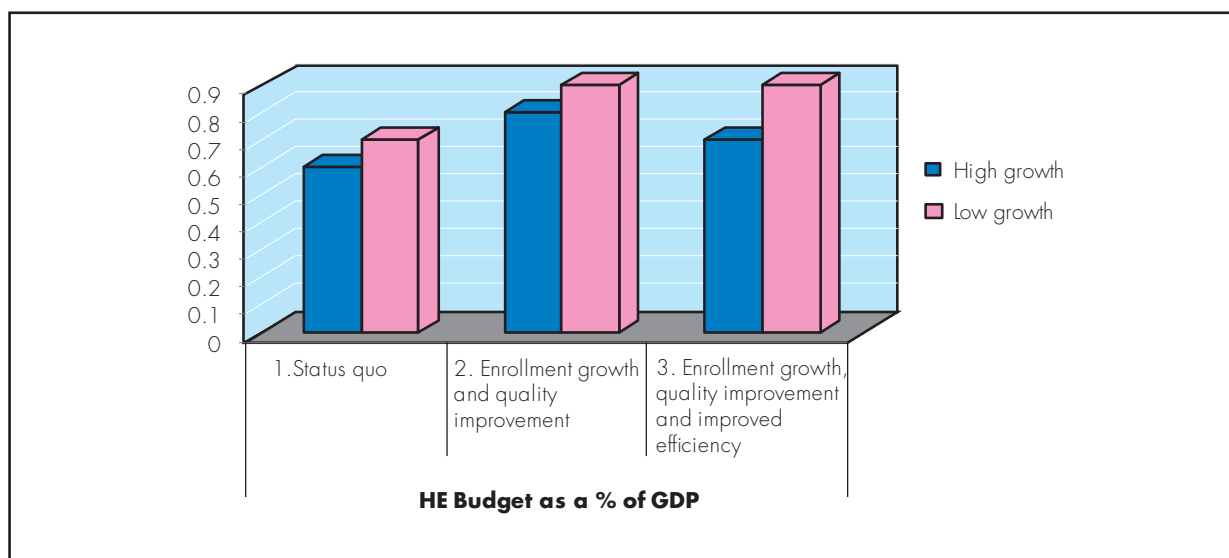
Sri Lanka fails to tap the potential of the private sector for the financing of higher education. The private higher education sector exists, and plays an important role in providing access to higher education, whether at the level of (overseas) university degrees or professional diploma and certificate courses. The graduates from private higher education institutions also generally find employment relatively easily. However, the policy environment focuses mainly on the public higher education sector, and tends to ignore the private higher education sector. This contrasts with the global trend in higher education to encourage private investment and to forge public-private partnerships in higher education. Hence, as noted earlier and should be re-emphasized, Sri Lanka has one of the least developed private higher education sectors among all middle-income countries. Further, many considerably poorer low-income

countries, including India, Pakistan and Bangladesh, outperform Sri Lanka in attracting private sector investment to higher education.

Strategic Development Options

The new paradigm for the allocation of Government resources to higher education should focus chiefly on quality and relevance, rather than access. Over the past ten to fifteen years, the main policy priority of the Government was the expansion of access to university education, principally through the creation of new regional universities so that each province would have at least one university. The Government now needs to rise to a higher stage of development, and award the highest priority to the improvement of quality, and economic and social relevance, in the higher education sector. In this context, there are several key measures that are needed. Combining all these measures, while also increasing efficiency in the system will need a higher share of the national wealth to be invested on higher education, especially if the current rate of economic growth cannot be sustained (Figure 4).

Figure 4: Higher Education Expenditures as a share of GDP (Projected, 2012)



The alternative higher education sector should be allocated a higher share of public resources for the higher education sector. Greater priority should be given to developing the alternative higher education sector. This sector provides, in principle, directly job-oriented courses. The duration of these courses are typically shorter than university degree programs, and have a lower unit cost. Therefore, the expansion of this sector is a cost-effective and economically efficient option.

Financing innovative initiatives to enhance student learning and improve teaching and research should be the top policy priorities for university funding. This would mean that university corporate plans and budget proposals should be funded chiefly for their impact on quality, rather than their impact on access and coverage. In addition, a share of the resources made available for universities, say about 10-15 percent, should be set aside to fund performance-based initiatives to improve the quality and relevance of faculty programs.

Higher education institutions need to be encouraged to generate revenues for development. There is a variety of revenue generating services offered by higher education institutions. These include the income

earned through research and consultancy services, extension and short-courses, and fees from postgraduate and undergraduate degrees, and diploma and certificate courses. The Government needs to encourage higher education institutions to increase their own revenues, through suitable policy initiatives. In this context, it is very important that the income generated by higher education institutions is additional to the state grant, and that an HEI budgeted funds are not reduced as its own income rises. In addition, the institutional environment for revenue raising activities needs to be developed, through for example the establishment of business centers and technology commercialization offices.

Measures to improve internal efficiency and reduce costs in the system need to be implemented. This includes a variety of possible measures, such as a higher academic staff to non-academic staff ratio, a higher staff-student ratio, and increased procedural efficiency in activities such as the procurement of equipment. However, it is important that costs savings generated within the higher education sector are retained within the sector. And whatever costs savings are generated within a higher education institution need to be available for re-investment within that institution.

Creating a favourable environment for public-private partnerships and private sector investment in higher education has helped other countries, including former communist countries in Asia and Europe, to mobilize greater resources and develop their higher education sectors. This option needs to be taken forward by policy makers in Sri Lanka. An important measure to expand private sector participation in higher education would be the establishment of a sound accreditation system, which would facilitate the entry and growth of good quality private higher education institutions. Sri Lanka could also consider the option of a public sector subsidy to private higher education institutions, as in Sweden, Chile, Poland and some states in the U.S.A. In addition, to promote equity and social justice, the country could introduce voucher, stipend and loan schemes for poorer students enrolled in private higher education institutions.

Higher Education is in a Unique Position to Enrich Sri Lanka's Culture and Society

Higher education institutions are of central importance for the cultural, political and social life of a country. They shape the values and norms of a society, and create the space for enlightened citizenship and democracy. This aspect of higher education is particularly important for a country, such as Sri Lanka, which has a variety of ethnic and religious groups, and is emerging from a long-standing ethnic-based secessionist conflict.

The higher education sector can and must lead the creation of a favorable climate for a peaceful, multi-ethnic, multi-religious and multi-cultural Sri Lanka. The greatest challenge facing the country today is to build a society in which individuals from different ethnic and religious groups can live and interact together; with dignity and trust, and in peace; in all parts of the country. The higher education institutions can contribute to the construction of such a society through a number of avenues. First, the content of academic courses and research activities, especially in the arts, humanities and social sciences, can explain and highlight the positive characteristics of multi-ethnic and multi-religious societies, and the requirements for stability and cohesiveness in such societies. Second, nearly all the higher education institutions contain a mix of ethnic and religious groups among their students and staff. These provide an excellent environment for collaboration and cooperation among the different groups. Third, higher education institutions engage in intellectual, cultural and sporting activities among each other. These enable students of different ethnic and religious communities from different parts of the country to meet

and interact together. Fourth, higher education institutions provide a climate for collaborative research among academics of different ethnic and religious groups.

The higher education sector should be at the forefront in the creation and promotion of the enlightened citizens needed for a democratic country. A long period of armed conflict, as in Sri Lanka, erodes the norms and attitudes required for a well-functioning civil administration and political democracy. The higher education institutions, through their teaching and research, need to enhance and strengthen the values and norms, such as pluralism, social tolerance, respect for diversity, and reasoned debate, that are at the heart of political democracy.

Leading Change and Accelerating Development

The development of the higher education sector will be of immense benefit and value to Sri Lanka. It will also be a complex and challenging process, and require visionary leadership from political authorities and policy makers, and ownership and long-term commitment from the higher education community.

Higher education development requires sustained, long-term commitment from political authorities. In particular, innovative initiatives in governance can be difficult, as these often involve devolving power and authority from central levels of Government to individual institutions, such as the universities and advanced technological institutions. In addition, modern innovations in university financing, such as introducing revenue systems that range broader than tax financing, and introducing performance based funding as an incentive and reward, can be controversial as it pushes some traditional-minded individuals out of their comfort zone. Hence, such policy initiatives need visionary and sustained leadership from the highest levels of the political system.

The higher education development strategy in Sri Lanka should be broadly communicated, especially among the academic community, and widespread ownership generated. The individual academic staff members are of central importance to the delivery of good quality higher education services. Therefore, the ownership and commitment of academics is a necessary condition for the successful development of a higher education strategy. The Ministry of Higher Education, the NEC and the UGC need to communicate the scope, objective and rationale for the higher education development program to the academic community. The choice of strategies to implement, and their ordering and sequencing, will need to be accomplished with the participation, ownership and commitment of the academic community.

The higher education institutions in lagging regions, such as the Northern, Eastern and other outlying Provinces, require special and priority policy attention. The higher education development strategy has to be differentiated according to the level of development of the various higher education institutions. The older, well-established higher education institutions in the neighborhood of cities such as Colombo, Kandy and Matara are at a more advanced stage of development. As a result, they can undertake ambitious development initiatives. In contrast, the higher education institutions located in lagging regions, such as the Northern, Eastern and other distant provinces, are relatively under-developed, with less qualified staff, poorer facilities, and academic and managerial systems and processes that are still being established. These higher education institutions need greater policy attention and strategic financing.

The media needs to be allies in the process of implementation of the higher education development strategy. The popular media plays a vital role in providing information and shaping the perceptions of the general public. It is important that the achievements of the higher education system, its future challenges, and the strategies adopted to address these challenges, are communicated to and understood by the media. This, in turn, will enable the leaders of change and development to communicate to the general public their vision of the future of the higher education system, and their strategy to achieve that vision. The support and understanding of the public will be of great importance to generate long-term political interest and commitment to the higher education development strategy.

The higher education community contains the cream of the country's intelligentsia, and has unique potential to contribute to the economic and human development of the country. However, this is a potential that has been substantially under-utilized in the past, partly due to the various constraints faced by the sector, and partly due to the weaknesses within the sector. The academic community of the country needs to lead, participate in and support the process of higher education development. This process of development will have to be at multiple levels, including the level of the entire sector, the level of individual institutions within the sector, and the level of individual programs and courses within institutions. The higher education community operates at each of these levels, and can and should generate and sustain development in each sphere, and of course, over all spheres.

Key Development Initiatives

This paper has laid out a number of key development measures and initiatives that would enable Sri Lanka to keep abreast of the tide of modern higher education strategy and development. These include policies and initiatives to improve the quality of the higher education system and make it more responsive to the needs of the labor market. The agenda is comprehensive and all these policies and initiatives cannot be implemented immediately. Given this, the report presents below some of the critical initiatives and measures that need to be undertaken in the medium-term (first phase) followed by others that need to be implemented over the long-term. However the initial work required to undertake reforms over both the medium-term and long-term should commence immediately. All the measures proposed below are discussed in more detail in the main body of the paper.

Strategic Initiatives for the Development of the Higher Education Sector

Higher Education Development Needs	Key Potential Development Initiatives	Benefits of these Development Initiatives	Challenges to Implementation
Strategic expansion of access to higher education in areas of economic and social importance.	Increase intake capacity in the Advanced Technical Institutes (ATIs), over the medium-term.	Higher intake into the ATIs will increase the pool of human resources with advanced technical qualifications.	Resources for the expansion of the ATI network are constrained.
	Expand Enrollment in employment-oriented programs in universities, over the medium-term.	The human capital required for high-level technical and managerial jobs will be produced.	Funds to increase enrollment are scarce.
	Facilitate private investment and private public-partnerships in the higher education sector, over the medium-term.	Enrollment will be increased in economically important higher education programs and courses.	There are influential groups in the country who are ideologically opposed to private sector involvement in education, and will obstruct measures to create an enabling environment for the private sector.
Improved teaching and learning in the higher education institutions.	Introduce performance-based incentives to improve the quality of curricula, teaching and assessment, in the medium-term.	The universities will produce more graduates with international quality skills and expertise.	The notion of performance-based funding can be opposed by academics unused to the concept.
	Strengthen the skills of academic staff for student-centered and activity based teaching, and modern assessment methods, over the medium-term.	Students will benefit from modern pedagogical and assessment methods.	Conservative academics may find it difficult to change older work attitudes and styles.
	Improve, over the long-term, the English language and ICT skills of staff, where needed.	Staff will be better able to access and utilize modern global knowledge.	Acquiring new skills may be difficult for older staff.
	Increase, over the long-term, the educational facilities, equipment and technology in HEIs.	Staff and students will acquire the skills to use modern equipment and technology.	Resources to invest in modern facilities, equipment and technology are scarce.
A national qualification framework for the full higher education sector.	Develop and implement, over the long-term, a qualification framework covering the higher education and training sectors.	Greater flexibility, choice and consistency within and between the higher education and training sectors.	The development of national qualification framework covering all the vertically and horizontally differentiated HEIs and training institutions is a complex task.

A quality assurance and accreditation system for the full higher education sector.	Establish, over the long-term, a quality assurance and accreditation mechanism for the total higher education sector.	There will be a mechanism to promote quality, and to facilitate the entry and development of good quality HEIs.	Groups opposed to the private sector will be reluctant to allow a quality assurance and accreditation mechanism for private HEIs.
The empowerment of HEIs through strategic decentralization and autonomy.	Institute a mechanism to gradually devolve more powers to ATIs for curriculum development and assessment over the long-term.	ATIs will be able to assume greater initiative and develop faster.	The managerial and academic capacity of ATIs may be inadequate to assume the new roles and responsibilities for a devolved system.
	Strengthen the capacity of universities to generate and utilize revenues, over the long-term.	Greater resources will be available for universities to invest in development.	Managerial capacity for revenue generation and use of funds is limited in some universities.
A comprehensive and reliable Higher Education Management Information System (HEMIS).	The establishment of a HEMIS covering the full range of HEIs in the public and private sectors in the medium-term.	This will establish a solid foundation for sector-wide planning as well as HEI planning and evidence-based decision making.	There is a shortage of technical staff to manage the HEMIS systems, to design the indicators, to collect and process the data.
		The monitoring and evaluation function will be significantly strengthened at both the national level and the institutional level.	Some policy makers may not have the habit of using data for decision making.
Increased research and development.	The establishment and strengthening of business centers to promote university-industry collaboration in research and development activities over the medium-term.	The country would benefit from being able to tap the intellectual resources available in the HEIs for economic development.	Some of the newer universities do not have adequately qualified academic staff to engage in research and development activities.
		The industrial community would benefit from their collaboration with HEIs to improve the knowledge and skill intensity of their activities.	The geographical location of some HEIs in small towns and rural areas does restrict access to industry.
		The HEIs would receive extra income from research and consultancy services.	
		The academics in the HEIs would be able to contribute to their full potential.	
	Promote a culture of research among academics, over the long-term, through suitable staff development and the provision of incentives.	The recognition and respect for Sri Lankan HEIs would improve.	

An expansion of the resource envelope available to develop the higher education sector.	The higher education institutions can expand their incomes beyond the funds that the state can provide through research and consultancy activities and revenue generating programs over the medium-term.	Higher education institutions will have more resources for investment, innovation and development.	Groups opposed to non-tax financed sources of income for higher education may hinder such activities.
	The state can promote more public-private partnerships and private sector participation in higher education over the medium-term.	The higher education sector will have a greater resource envelope for growth and development.	Groups ideologically opposed to the private sector will seek to obstruct greater involvement of the private sector.
Greater economic relevance of degree programs and courses.	Increase the share of enrollment of students in employment-oriented programs and courses over the medium-term.	The higher education sector will become more responsive to the needs to the economy.	Employment oriented courses often have a higher unit cost and require more funds.
	Universities could increase their involvement to make external degree programs more relevant to the labor market over the medium-term.	The most significant source of graduate unemployment will be addressed.	Universities will require more resources to address the needs of external degree programs.
	Increase interactions between HEIs and the private sector in course and content design and delivery, over the medium-term.	This will enable the courses of HEIs to reflect the requirements of employers.	The balance between academic rigor and labor market requirements can be difficult to achieve.
	Increase student placements in industry as part of degree programs, over the medium-term.	Students will be oriented to the world of work.	There may be insufficient placements in industry, especially for more general programs.
	Strengthen career guidance and counseling for students, over the medium-term.	Students will be able to make more informed career choices.	Adequate capacity may not be available for guidance and counseling in all HEIs.
	Improve the English language and ICT skills of students, where needed, over the long-term.		

The promotion of social cohesion among the different ethnic, religious and cultural groups in the country.	Promote HEIs as multi-ethnic and multi-religious institutions in the composition of students and staff over the medium-term.	The promotion of conditions for a socially stable and cohesive multi-ethnic, multi-religious and multi-cultural society would help address what is arguably the single most important problem facing Sri Lanka society at the present time.	Tensions caused by a lengthy ethnic-based secessionist conflict could restrict opportunities for collaborative activities among students and staff from the various ethnic groups in the country, especially in the areas most affected by the conflict.
	Present the positive aspects of multi-ethnic and multi-religious societies, and their requirements for social stability, in academic courses, over the medium-term.		
	Encourage collaborative research between academics from different ethnic and religious communities, over the medium term.		
Special attention is required for the development of higher education institutions in lagging regions, such as the Northern, Eastern and other outlying provinces.	Human resource development of the young staff members in these HEIs.	Accelerating the development of higher education institutions in the lagging regions will enable greater equity of access to higher education across the country.	Well qualified staff are reluctant to work in the higher education institutions located in the lagging regions.
	Facilitation of partnerships and link institution arrangements between the HEIs in the lagging regions and other parts of the country, as well overseas HEIs.	Improving the quality and relevance of higher education institutions in the Northern, Eastern and other outlying provinces will raise the overall level of development of the higher education sector, as these institutions are below the national average.	The Government's budget constraint makes it difficult to meet the development needs of these institutions.
	Expansion of the network of ATIs in underserved areas.		